

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Experimental Periodicals
Co-Palletization Dropship Discounts
For High Editorial Publications

Docket No. MC2004-1

MAGAZINE PUBLISHERS OF AMERICA, INC.
COMMENTS ON STIPULATION AND AGREEMENT
(June 15, 2004)

Pursuant to P.O. Ruling MC2004-1/5¹ the Magazine Publishers of America, Inc. (MPA) hereby files comments on the Stipulation and Agreement ("Settlement") filed May 26, 2004 by the United States Postal Service.² MPA supports the provisions of the Settlement and recommends that the Commission approve the Settlement including the data collection plan attached thereto.

MPA believes that the proposed experimental classification will provide a useful service for some mailers. The experimental rates it establishes will allow more members of the periodicals community to participate in worksharing programs and the resulting changes in behavior will allow the Postal Service to become more efficient. According to Frank Lynn, Corporate Director of Postal Affairs and Strategic Distribution, the experimental rates will provide Cadmus Communications "incentives to offer co-palletization opportunities to all of our Periodicals customers. Without these incentives it does not make sense for any of us to do any co-palletization." PRC-LR-PO-1. According to Mr. Lynn, the "proposed rates provide just enough additional financial incentive for higher

¹ "Presiding Officer's Ruling Establishing Procedural Schedule" issued May 27, 2004. Comments are due no later than June 15, 2004.

² United States Postal Service Notice of Filing Revised Stipulation and Agreement (May 26, 2004). Motion of the United States for Consideration of the Stipulation and Agreement as the Basis for Recommended Decision (June 8, 2004).

weight and low advertising content publishers to participate in the co-palletization program.” Ibid.

MPA agrees with witness Taufique (USPS-T-1) that the experimental rates should also result in an increase in dropshipping and palletizing that will benefit the Postal Service by reducing its costs and increasing the contribution of participating mailers to institutional costs (since the reduction in postal costs will be more than the reduction in postal revenue). See USPS-T-1 at 18 (Taufique).

While supporting the Settlement, MPA stresses its disappointment with the experiment’s stringent eligibility requirements. High-editorial publications with less than 85 percent editorial content *and* those with mailed circulations of more than 75,000 pieces *and* those that weigh less than 9 ounces will continue to be excluded from co-palletization and dropshipping programs. Those left behind, in effect, are penalized if they dropship because their rates do not reflect the significant amount of savings their dropshipping would provide to the Postal Service.

MPA also believes that these experimental rates are no substitute for the significant changes in the Periodicals rate structure that are needed to encourage wide-scale worksharing, improve efficiency, and reduce Postal Service costs. Taufique recognizes this proposal is modest: “our goal was a small learning experiment and not a proposal to overhaul Periodicals rates.” Response to TW/USPS-T1-2. The record in this docket confirms this.

- Only 20 million pieces are expected to take advantage of the experimental rates. USPS-T-1 at 18. This is less than 0.3 percent of Periodicals Outside-County subclass volume. PRC. Op. R2001-1, Appendix G, Schedule 1.
- Taufique estimates cost savings of approximately \$2 million. USPS-T-1, Exhibit A at 2-3. This is less than 0.1 percent of Periodicals Outside-County subclass revenue. PRC Op. R2001-1, Appendix G, Schedule 1.

Improving how Periodicals are prepared and entered into the postal system is critical to controlling future increases in the Postal Service’s costs (and therefore rates) for Periodicals. These improvements will be realized only when

the Postal Service implements changes in Periodicals rate design that appropriately encourage preparation and entry options that lower Postal Service costs and increase efficiency.

MPA is an active participant in the Postal Service's Product Redesign initiative. For the last three years it has attended meetings, submitted comments, and worked on subcommittees. It has worked with others in the Periodicals community. Throughout its participation MPA, has advocated the establishment of cost-based rates – rates and discounts that are closely aligned with Postal Service costs – for Periodicals. Cost-based rates will improve mail preparation and increase efficiency by encouraging the private sector to perform worksharing activities when it can do so more efficiently than the Postal Service and the Postal Service to perform the work in instances when it is most efficient.

We therefore strongly urge the Postal Service to propose and the Postal Rate Commission to recommend the establishment of cost-based rates in the next omnibus rate case.

Respectfully submitted,

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